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SUBJECT: DIRECTOR'S INTRODUCTORY CALL ON MINISTER OF DEFENSE
LEE JYE, MARCH 31, 2006

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Classified By: AIT Director, Stephen M. Young, Reason(s): 1.4(B/D)

¶1. (S) Summary. In his initial meeting with AIT Director Young, Defense Minister Lee Jye welcomed continued close support with AIT on defense subjects. Minister Lee reported that progress had been made on approval of procurement of three procurement items (PAC-2 Upgrade, P-3C, Submarine design) in the annual budget until being sidetracked by the recent National Unification Council controversy. On trilateral US-JP-TW cooperation, Minister Lee noted agreement with US request not to have Japanese observers at 2006 Han Kuang exercise activities, but signaled his wish for US support for such activities in the future, possibly as early as 2007. In response to AIT expression of concern on the Luke F-16 training program and the MND plan to reduce the aircraft at Luke for the first time, the Minister acknowledged the value of replacing the four aircraft that are scheduled to return to Taiwan. However, he tied this to their plan to move forward with an additional buy of 40-60 fighter aircraft that is at least three to four years away from providing Taiwan any aircraft. On counterstrike, Minister Lee indicated little flexibility on their plan to develop what he termed the Defensive Countermeasure. He underscored that the program was only a minor change to the existing Hsiung Feng 2 missile and that it was only in the research phase. However, he emphasized that Taiwan needed some measure that it could employ if foreign assistance could not be provided to Taiwan in a timely manner. Overall, the meeting reflected a very forthcoming and positive tone. End Summary.

Minister Opens with Special Budget

¶2. (C) Minister Lee opened the discussion by welcoming Director Young. Minister Lee then provided the Director with a quick summary of the status of the Special Budget and the three procurement items. Minister Lee noted resolution of the three procurement projects, with some changes, looked favorable. He indicated that PFP Legislator Hu had drafted a "case" which had been coordinated with the KMT, with the

outcome that the P-3C procurement had been agreed to be placed in the annual budget, as well as the PAC-2 upgrade and that they hoped this would include funds for the initial design phase for the submarine program. He indicated that this had all been agreed to prior to situation concerning the National Unification Council and that now they would have to see what the current situation was.

¶3. (C) He underscored that President Chen had approved 2.85% of the GNP for the defense budget for next year and 3.0% for ¶2008. He noted that they had submitted the financial data to the EY and that there was good coordination between the MND Comptroller and the EY. He felt that should achieve their 3.0% goals in 2008. He further noted that this funding level would provide adequate funds for the three procurement projects with some residual funds to support other programs. Minister Lee also expressed the Ministry of National Defense's desire to split the submarine procurement into two phases (A Design / Source Selection Phase followed by Procurement Phase) and his desire for AIT support on this issue.

Director Desire to Increase Attention to Defense Matters

¶4. (C) Director Young responded to the Minister's greeting by noting that he had spent a lot of time with former Defense Minister Tang, Fei and his staff when he was Deputy Director, as he felt it was important to meet with Ministry and the Services. As Director, he would spend more time working with the Minister and his colleagues. He noted that nothing was more important than security in the relationship and that this was a critical moment in managing the security talks. He noted that on his way here, he had had extensive talks with high-level personnel in the DoD and had spent two days with PACOM in Hawaii. He indicated that

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there was a lot of work to do. He signaled that this was something that he would discuss regularly with political leaders in Taiwan. He pointed out that he had already discussed this with President Chen and that he looked forward to discussing this subject with Mayor Ma, Ying-Jieou.

¶5. (C) Director Young underscored that we (US) were among the biggest supporters of Taiwan democracy and that it was Taiwan's best selling point around the world and on the mainland. However, he noted that he shared the views of the US leadership that there should be limits on Taiwan political competition when Taiwan's security was at stake. He said that he had stressed in his meeting with President Chen and with leading KMT figures our hope that they focus less on political competition and more on the security of Taiwan.

¶6. (C) Director Young continued by noting that during Ma's trip to the US, he (Ma) had heard frank talk on the defense budget. Director noted that he would talk to all concerned to encourage setting politics aside in the defense budget debate. He noted that China's growth and economic prosperity presents problems for the Minister's staff as well as problems for our staffs as was noted in his discussions with senior personnel at PACOM. He further noted that improvements such as P-3C's, PAC-2's and Sub were important. But there are other "soft" initiatives that our staffs could work on such as computer simulations, infrastructure hardening, joint operations and training, and communications improvements which could combine to provide asymmetrical improvements to increase Taiwan's capabilities.

Defense is Not Just Budgets

¶7. (C) Director Young noted that activities such as the Han Kuang exercises and the Monterey Talks were important milestones in our expanded cooperation. Director stated

that he looked forward to visiting the upcoming Han Kuang CPX (April 06) and that he was considering going to the Monterey Talks this year. He thanked the Minister for the support and access that they have been giving to AIT's two military offices - the Technical Section and the Liaison Affairs Section. He noted that cooperation with these offices was the glue that holds cooperation together.

¶8. (C) Minister Lee responded by indicating that in the past the MND had talked directly to DoD, but now they talked through AIT and he felt that this manner of communicating was more beneficial.

F-16 Training Program / Interim Fighter Procurement

¶9. (C) Director Young recalled that when he was last in Taiwan the last F-16's, which had been approved by President Bush senior, were being delivered. At the time, he visited Chai-Yi AB and had talked to both the US and TW pilots. He had come away with a sense of the important role the Luke AFB pilot training program played in ensuring that Taiwan's pilots were among the best in the world. Director Young said he recognized that the program was expensive and that it took the best pilots away from Taiwan for a while. However, he underscored that the key to defense in the straits was having the best pilots and the best equipment. He hoped that the Minister would continue to support this important program.

¶10. (C) Minister Lee thanked the Director for his interest in this program and noted that this program has always been one of MND's most important programs. He reported that he had been discussing with the Air Force what their next aircraft should be -- perhaps either F-15 or a newer version of the F-16. He noted that they were awaiting a US decision on the release of aircraft. He reported that four Luke aircraft would return to the Taiwan as part of the Han Kuang exercise this year. He indicated that if they (Taiwan)

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moved forward on procurement of new aircraft, perhaps the first four production aircraft could remain in the US at Luke. Minister Lee reported that President Chen had promised never to cease this program. He went on to affirm that if they establish the future (fighter) procurement program, the first four aircraft would stay at Luke. Director Young indicated that that we would look into situation and appreciate the Minister's support for the program. Minister Lee closed the subject by noted that the IDF cannot be seen as the best aircraft and they would soon need to replace it.

¶11. (C) Note: Minister Lee was referring to two separate, but closely related, issues. While the Taiwan Air Force (TAF) has consistently desired to continue the Luke AFB training program at its current / expanded scope, the Minister has allocated less funding, scaled back to year-to-year approval (instead of multi-year) and directed return of four (4) of the fourteen (14) TW aircraft at Luke as part of a Han Kuang exercise. OSD and USAF have expressed concern at the reduction in the Luke program, in particular, at the return of 4 aircraft. Concurrently, Minister Lee has directed the TAF to develop a request for an additional fighter aircraft purchase of between 40-60 aircraft to replace portions of their F-5, IDF, or Mirage fleets. The formal request has NOT been submitted to the US yet, though the Minister's comments suggest that it has. We expect the request for pricing to include a request for the F-16 and the F-15, though the Minister's comments indicate that he recognizes that F-15 approval is not likely. The offer to put the first four production aircraft in Luke is the first indication of a response to US concerns about scaling back the Luke program -- however, the first production aircraft would not be delivered for at least 2-3 years after program start. After the meeting, MND POC's

called TECH Section to underscore that the MND was moving forward on the interim aircraft buy request and would like sign the new FMS case next year in 2007. At this point, it is unclear whether funding is actually in the 2007 or 2008 budget. Regardless of how quickly the decision moves forward, the Minister's proposal would effectively reduce the scale of the Luke training for at least several years.

Trilateral Cooperation with Japan

¶12. (C) Director Young expressed appreciation for MND's decision not to invite Japanese observers to the upcoming Han Kuang exercise. He reported that Japan was a firm US ally who looked at security challenges in the area with a common perspective, but that visible trilateral discussions and cooperation are not advisable and unnecessarily heightened tensions across the strait. Director Young noted that this was not in Tokyo's, the US's or Taipei's interest. He thanked the Minister for his wisdom in this area, but he also stated that this does not mean that Japan is not looking positively at cooperation with Taiwan. Minister Lee responded that the Taiwan initiative to work with Japan had arisen as a result of Han Kuang 18 or 19 (2002/2003) and discussions with PACFLT (Translated as PACFLT - more likely PACOM) and that PACFLT (PACOM) had recommended that Taiwan establish cooperation with Japan. Minister Lee reported that as of last week, Japan had been planning to send 9 people to observe the HK exercises. Seven of these personnel were to be retired general or flag officers. The Minister also indicated that he would be seeking US support to include Japanese participation in the Han Kuang exercise next year. Director Young reiterated that the perception of trilateral cooperation needs to be kept off the table.

Counterstrike - Thanks For Your Concern - But No Thanks

¶13. (S) Director Young raised U.S. concern with the research, development, deployment and doctrinal development of a counterstrike capability against the mainland. He

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noted that although it may not be deployed now, there was grave concern about the program in the American political and military leadership in Washington and in Hawaii.

¶14. (S) Minister Lee responded by indicating that for some time now, there have been complaints from the US side questioning Taiwan's commitment to defend itself. He stated that they had initiated this program in a low key manner. He stated that the Defensive Countermeasure program is a modification of an existing Hsiung Feng 2 missile which adjusts the seeker head and extends the range of the missile to the Mainland. He stated that this program is only in the research phase. He underscored that from a defensive point of view, if there is a situation where foreign assistance is needed to defend Taiwan, but unable to get to Taiwan in a timely manner, then Taiwan must have measures that it can use. The first premise is to prevent war in the Taiwan Straits. He underscored that the Mainland has been targeting Taiwan with systems for some time, but Taiwan has not been targeting the Mainland. He then noted that a war must be stopped before it starts and that Taiwan would only use its Defensive Countermeasure if there was no other choice. He firmly stated that they would not use it against civilian targets - not as a "counter-value" system. He stated that they would only use it against military targets. Further, he stated that they would notify AIT and the USG before the use of the Defensive Countermeasure system. He continued by indicating that they are developing regulations for the use of the Defensive Countermeasure. He reiterated that it is only a modification of the Hsiung Feng 2 seeker head and that it was only in the research phase. He continued that the program had remained in a low profile until a legislator

raised the issue in the LY on the need to attack. He closed by noting that media reports would need to be taken into consideration by the Mainland.

¶15. (S) Director Young responded by indicating that he thought greater transparency and, at some point, a discussion of doctrine, might be valuable. Minister Lee responded that would certainly be feasible. He closed by indicating that if the US would be willing to release critical components for the program, it would be most helpful.

Three Pillars

¶16. (C) In closing, Director Young noted that he wanted to emphasize three areas and that the need to support democratization is the base starting point for his three areas of emphasis.

-- First, he noted that he wanted to work with Minister to establish a 21st century defensive capability that could accurately and prudently address the threat across the strait.

-- Second, he wanted to cooperate in every way to ensure that the economy would remain a competitive 21st economy and competitive in the region.

-- Third, he wanted to carefully work with both sides and with an increasingly prosperous China to push it in more productive and peaceful directions.

Director closed by noting that if we look at these priorities, it is easy to say that time is on Taiwan's side. Taiwan can protect its freedoms while waiting for China to evolve into a more open society which is easier to deal with.

¶17. (C) Minister Lee indicated his understanding and agreement with the Director's comments. He noted that if the Director had special requests with regard to Han Kuang, e.g. the desire to visit units or troops, he would be glad arrange things. He closed by indicating that he thought that they would continue to talk frequently.
YOUNG